

January Retail Sales

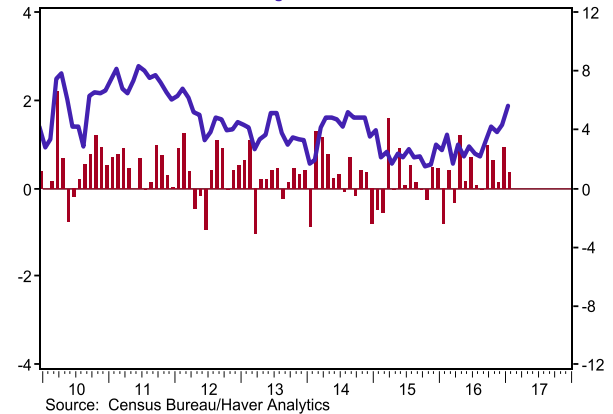
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- Retail sales rose 0.4% in January (+0.7% including revisions to prior months), beating the consensus expected 0.1% gain. Retail sales are up 5.6% versus a year ago.
- Sales excluding autos rose 0.8% in January (+1.0% including revisions to prior months), better than the consensus expected 0.4%. These sales are up 5.3% in the past year. Excluding autos and gas, sales rose 0.7% in January and are up 4.4% from a year ago.
- The increase in sales in January was led by gas stations and restaurants & bars. The largest decline was for autos.
- Sales excluding autos, building materials, and gas rose 0.6% in January. If unchanged in February/March, these sales will be up at a 3.0% annual rate in Q1 versus the Q4 average.

Implications: Could the Plow Horse economy be starting to trot? Retail sales started off 2017 at a healthy pace, and we hope the Federal Reserve is paying attention. Sales rose 0.4% on the back of an upwardly revised 1.0% gain in December, coming in much higher than the consensus expected. Overall retail sales are now up 5.6% in the past year, the best reading since March 2012, and we expect that trend to stick. Sales are up at a 6.3% annual rate in the past six months and a 6.0% rate in the past three months. What was most impressive is the gain in January came even though auto sales declined 1.4%. Excluding autos, retail sales rose 0.8% and are up 5.3% in the past year, also the best year-to-year reading since March 2012. The gain in sales in January was broad-based with nine of thirteen major categories showing growth. Although gas station sales rose the most due to higher fuel prices, “core” sales, which exclude autos, building materials, and gas, rose 0.6% in January, the sixth consecutive monthly gain and the 11th gain in the past 12 months. Core sales are now up 4.3% from a year ago and we expect that trend to accelerate in the year ahead. Job growth continues, nominal wages gains are accelerating, and consumer debt service obligations are very low by historical standards.

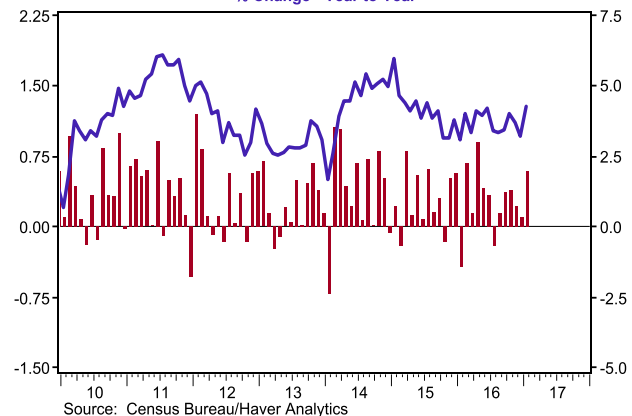
Retail Sales & Food Services
 % Change - Month to Month

Retail Sales & Food Services
 % Change - Year to Year



Retail Sales Ex: Autos, Gas & Building Materials
 % Change - Month to Month

Retail Sales Ex: Autos, Gas & Building Materials
 % Change - Year to Year



Retail Sales <i>All Data Seasonally Adjusted</i>	Jan-17	Dec-16	Nov-16	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.4%	1.0%	0.2%	6.0%	6.3%	5.6%
Ex Autos	0.8%	0.4%	0.3%	6.0%	5.8%	5.3%
Ex Autos and Building Materials	0.8%	0.4%	0.2%	5.8%	5.6%	5.2%
Ex Autos, Building Materials and Gasoline	0.6%	0.1%	0.2%	3.8%	3.8%	4.3%
Autos	-1.4%	3.2%	-0.3%	5.8%	8.6%	6.8%
Building Materials	0.3%	1.2%	0.6%	8.8%	7.3%	3.8%
Gasoline	2.3%	3.2%	0.0%	24.5%	22.8%	14.2%

Source: Bureau of Census